

~~CONFIDENTIAL~~*Philippines*

ROUTING AND RECORD SHEET

SUBJECT: (Optional)

Philippine Trade Package

FROM:

Deane E. Hoffmann
Acting NIO for Economics

EXTENSION

NO.

NIC 04238-86

DATE

10 September 1986

25X1

TO: (Officer designation, room number, and building)

DATE

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COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

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11 SEP 1986

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5.
Executive Secretary

11 SEP 1986

11 SEP 1986

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*DDCI**7: For mto with Shultz 18 September. Talking Points were coordinated w/NSD/EA.*

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13. used with DDCI briefing materials for Shultz luncheon.

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13. Deane Hoffmann
Acting NIO/Econ
7E48, Hqs.

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The Director of Central Intelligence

Washington, D.C. 20505

National Intelligence Council

NIC 04238-86
10 September 1986

MEMORANDUM FOR: Deputy Director of Central Intelligence

FROM: Deane E. Hoffmann
Acting National Intelligence Officer for Economics

SUBJECT: Philippine Trade Package

1. Action Requested: You may want to discuss with Secretary Shultz the EPC decision on a trade package for the Philippines. It was decided Tuesday not to improve the Philippines' sugar quota because of the high political cost both here and abroad of singling out the Philippines as a special case among LDCs. I think a strong argument should be made, however, that such a high political cost would send President Aquino a strong message that we consider her country singularly important and view the economic and political situation in the countryside to be sufficiently troublesome and acute to undertake special action beyond the currently planned aid and trade packages.

2. Background: The Economic Policy Council yesterday approved a trade package for the Philippines including (a) a more liberal textile agreement, (b) establishment of a Japan-U.S.-Philippines trade committee, (c) provision of more liberal trade preferences, and (d) establishment of a U.S. Philippine Business Promotion Council. The EPC decided not to alter sugar quotas, under which we import limited quantities of sugar at roughly three times the world price. The decision was based on the unanimous recommendation of the Trade Policy Review Group. The EPC reached agreement without discussion; the Philippines was the last agenda item and members were moving toward the door when Baker was asked what the group should do about the package.

3. The trade package is essentially symbolic, although some substantial measures could result from the Japan-U.S.-Philippines Trade Committee. As with any trade package, its limitations reflect the political constraints

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of U.S. and GATT trade law and other considerations, such as wanting to avoid alienating other trading partners as we move toward a new round of GATT negotiations.

4. What concerns me about the EPC meeting was lack of opportunity to argue that the Philippines is such a special case, and that political considerations should be put aside in favor of a significant symbolic gesture such as switching the South African sugar quota to the Philippines. Although this would amount to only token assistance (roughly \$5 million), it would single out the Philippines as a truly special case and send President Aquino a strong message that we are seriously concerned as demonstrated by the high political cost of our actions.



Deane E. Hoffmann

Attachment:
Talking Points

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SUBJECT: Philippine Trade Package

Acting NIO/Econ/DHOFFMANN:
Distribution:



10 September 1986

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TALKING POINTS: PHILIPPINES Trade Package

It seems to me that we should be conveying to President Aquino that we consider the Philippines a very special case. An increase in the sugar quota, perhaps at the expense of South Africa, would have done that nicely.

- Because it would carry such a high political cost vis-a-vis other LDCs that have sugar quotas, it would send a strong message that we care and are concerned.
- Targeting aid for sugar-producing regions also points up our concern about the stability of these areas.
- Targeting the Philippines while not giving additional aid to particularly needy countries such as Haiti also points up our special concern with the Philippines insurgency.

I realize that the sugar quota issue was discussed at length last February in the EPC, and it was decided that any changes in quota shares would be too difficult politically even for high income beneficiaries. I realize also there are strong arguments that we should not do anything to make a bad program worse and violate GATT rules in the process.

- Nevertheless, I think the balance of our current effort in the Philippines falls too heavily on aid which translates into roads and schools and does not contain enough trade elements which would put funds directly in the hands of people in depressed areas.
- Indeed, if a sugar initiative is totally impractical, I think we should look again for other trade benefits that would directly assist people in the countryside.

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